United States
Department of
Agriculture

Farmers
Home
Administration

Washington
D.C.
20250

FmHA AN No. _3131_ (1965-C)

February 24, 1995

SUBJECT: Transfers and Assumptions Involving
Deferred Mortgage Payment Program Loans

TO: Acting State Directors, District Directors,
and County Supervisors
Rural Economic and Community Development

PURPOSE/INTENDED OUTCOME:

The purpose of this Administrative Notice (AN) is to provide
guidance on processing transfers and assumptions involving
deferred mortgage payment demonstration program (DMPD) loans.

COMPARISON WITH PREVIOUS AN:

This replaces FmHA AN No. 2953 (1965) which expired September 30,
1994.

IMPLEMENTATION RESPONSIBILITIES:

There are three possibilities for transfers and assumptions
involving DMPD loans:

1. DMPD borrower to non-DMPD borrower
2. DMPD borrower to DMPD borrower
3. Non-DMPD borrower to DMPD borrower

In situations 2 and 3, the entire amount assumed plus the amount
of any subsequent loan will be deducted from the State's current
year DMPD fund allocation. In these cases the effect is the same
as making a new loan; however, most assumptions can be processed
more quickly than new loans.

Upon determination that an assumption is eligible for the
deferred mortgage payment program, the following actions will be
taken:

1. Field offices will prepare a deferred mortgage program
operational file. This file will be used to hold all
source/input documents for assumptions until
appropriate software is implemented.

EXPIRATION DATE: Febrary 29, 1996

FILING INSTRUCTIONS:
Preceding FmHA
Instruction 1965-C

2. In all 3 situations described above, to obtain authorization to approve an assumption under the DMPD program, the RECD State Office must fax a copy of the Form FmHA 1940-1, "Request for Obligation of Funds," for the amount of the assumption, and a copy of Form FmHA 1965-15, "Assumption Agreement-Single Family Housing," to the Finance Office, Appropriations Accounting Section (AAS) at (314) 539-2756. If this authorization is not obtained, the borrower will not receive deferred mortgage payment assistance. These approvals must be obtained before closing the loan.

3. The Form FmHA 1940-1 must be clearly marked "Deferred Mortgage - Assumption," and completed using the following type of assistance (TOA) codes:

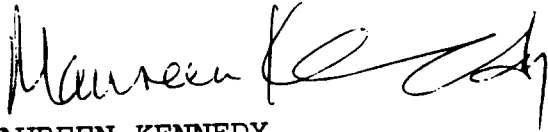|	TOA
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4. AAS will notify the State Office by phone of authorization to approve the assumption, followed with a letter confirming the obligation.

5. When a subsequent loan is being processed with an assumption, both Forms FmHA 1940-1 will be submitted at the same time.

6. Field offices may execute all other loan servicing transactions; however, the source/input documents will be held in the deferred mortgage program operational file until the processing software is available.

NOTE: In cases where nondeferred loans are assumed by a borrower eligible for the DMPD program, Items 7 and 8 are also required:

7. Field offices should complete Form FmHA 1944-6, "Interest Credit Agreement," and Form FmHA 1944-B6, "Deferred Payment Computation," and place them in the deferred mortgage program operational file.

8. All loan payments will be processed using Form FmHA 1951-26/27, "Substitute Payment Coupon for Single Family Housing Loans." These coupons will be needed because no loan closing or interest credit agreements can be processed to generate payment coupons. Field offices should issue the borrower six substitute coupons and envelopes completed in accordance with the Forms Manual Insert. The borrower should be instructed

to mail the payments to the retail lockbox address on the coupon. The Finance Office will use an Action Pending Code 55, "Hold for Deferred Mortgage Payment to Process," to identify payments made to the deferred mortgage loans that rejected to the Automated Discrepancy Processing System.

If you have any questions concerning these procedures, please contact AAS at (314) 539-2451.

MAUREEN KENNEDY
Acting Administrator
Rural Housing and Community
  Development Service